

LEIPS-S&P BSE SENSEX-Futures***(Effective from September 26 , 2014)***

SEBI issued Circular no.CIR/MRD/DP/14/2014 dated April 23, 2014 regarding revised guidelines for Liquidity Enhancement Scheme in the Equity Cash & Equity Derivatives Segment .On this background the Exchange launched new **Liquidity Enhancement Incentive Programmes (LEIPS)** on **S&P BSE SENSEX- Futures from May 30, 2014** with the goal of creating lasting, self-sustaining liquidity in BSE's Derivatives Segment.

The programme incentivizes both Market Makers (MMs) and General Market Participants (GMPs) by payment of cash for their participation as per prescribed terms and conditions.

Active trading members of Equity Derivative segment of the Exchange can follow a simple process to register themselves for this pro-gramme as a Market Makers (MMs) or as a General Market Participant (GMP).

Under the programme, the MMs have a continuous quoting obligation with specified size and spread in futures contracts on S&P BSE SENSEX. The programme offers 4 types of incentives to market participants –

1. Trading volume based daily cash incentives to MMs and GMPs
2. Open Interest (OI) based cash incentives paid on daily basis for average daily OI to MMs and GMPs
3. Quote Based incentives
4. Lower transaction fees for all active trading members.

The Exchange monitors performance of the programme including presence of MMs and their compliance with the quote obligations through a mix of online and offline monitoring tools. The Exchange also publishes information on the programme from time to time .

LEIPS-S&P BSE SENSEX Futures programme shall remain in force as per tenure mentioned in SEBI Circular no.CIR/MRD/DP/14/2014 dated April 23, 2014.

The Exchange has been regularly amending the terms and conditions of its LEIPS Programmes based on the overall progress of the programme, market feedback and policy changes.

With effect from September 26,2014 the Exchange proposes following key amendments in terms and conditions of **LEIPS-S&P BSE SENSEX- Futures**.

- ◆ Introduction of quoting obligation in near month contracts in addition to the present current month contract requirement for Market Makers (MM's).
- ◆ Additional quoting incentives for current & near month contracts on expiry Days for MM's.
- ◆ Revision in trading volume based cash incentives.
- ◆ Revision in volume cap.
- ◆ Revised condition for open interest incentives.

For any further clarifications, please contact your designated Relationship Managers.

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LEIPS-S&P BSE SENSEX Futures –Terms and Conditions

The programme focuses on Futures contracts of S&P BSE SENSEX. The programme incentivizes both MMs and GMPs by payment of cash for participating in the programme as per prescribed terms and conditions.

Clause 1 – Incentives / Benefits	Market Makers				General Market Participants					
	Futures (Rs. /Cr.)									
	Passive*		Active*		Passive*		Active*			
	Buy	Sell	Buy	Sell	Buy	Sell	Buy	Sell		
Trading Volume Based Cash Incentive Pro-rata basis	500	500	200	200	200	200	200	200		
Open Interest#† Cash Incentive	Only on prop positions i.e positions where client type is 'OWN'. Based on total daily OI of S&P BSE Sensex futures#C across all LEIPS Members (MM & GMP). Payout structure - <ul style="list-style-type: none"> Till above mentioned total OI is less than or equal to Rs. 500 Cr on any given trading day , Rs. 150 per Cr. of member OI If above mentioned total OI exceeds Rs. 500 Cr on any given trading day, then for that day , incentive shall be paid from pool of Rs. 75,000 per day. 									
Quote Based cash Incentive	<ul style="list-style-type: none"> For details please refer to Annexure 1 overleaf 									
Retail Incentive	Retail incentive program as per Exchange notice no–20130716-21 dated July 16,2013 and notice no –20140822-39 dated August 22,2014.									
Transaction Fees	Passive (Rs/Cr)		Active (Rs/Cr)							
	0		50							
Clause 2 – Obligations	Quote	Provide 2-way continuous quote during regular trading hours for 85% of trading time in market making futures contracts on eligible securities/underlying under this scheme (as published by the Exchange on a daily basis). Compulsory in both current and near month contracts . The only exceptions** shall be due to technical reasons and fast market conditions. Fulfillment of these quote obligation conditions is subject to the obligation conditions specified below. (**Exception– Market halts in a contract or underlying shall not be counted as trading hours)						No Obligations		
	Spread, Size Specification	Current Month Contracts		Near Month Contracts						
		Spread (Index Point)	Contract Size (Market Lot)	Spread (Index Point)	Contract Size (Market Lot)					
		1	2	2	1					
2		4	3	2						
3		6	4	3						
4	10	5	5							
5	25	6	10							
Roll Period (Expiry Day)	During the roll period, MMs shall be required to maintain quote obligations in both current month contracts and roll over contract as per spread –size specification above.									
After the daily volume cap is breached	MMs shall be required to quote as per spread-size obligations in futures throughout the day uniformly even after the volume incentive cap is breached.						No Obligation			

† Trading volume based cash incentive and OI Incentives are payable only for current and near month incentive eligible contracts.

* Active / passive—In any trade, the order with the earlier time stamp is passive and the order with the later time stamp is active

Open Interest– Futures contracts that are not closed or delivered at the end of a particular day, except current month futures contracts on their day of expiry.

LEIPS-S&P BSE SENSEX Futures — Terms and Conditions

	Market Makers	General Market Participants
Clause 3	<ul style="list-style-type: none"> Members have to register with the exchange to participate as a MM Net worth of Rs. 1 Cr. (~ USD 0.20 Million) No serious disciplinary action against the member in the last 1 year 	Members have to register with the exchange to be eligible for the incentives
Clause 4	<ul style="list-style-type: none"> Eligibility for MM incentive payments shall be determined on daily basis based on fulfillment of the MM's obligation during the day. In case of non fulfillment of obligations for a specific day, MM's incentive payment shall be at GMP rate. Exchange provides online system (https://leipsmm.bseindia.com) to MMs to view their quoting obligations (MM presence) as well as incentive payouts based on their trading activity. Exchange reserves the right to render any member ineligible for further participation in the programme if they engage in activities that are detrimental to the development of the markets. 	Exchange reserves the right to render any member ineligible for further participation in the programme if the member engages in activities that are detrimental to the development of the markets
Clause 5	<p>Daily Caps — Cash volume incentives paid upto a maximum volume of Rs. 500 cr of daily volume in S&P BSE SENSEX Futures current and near month contract combined. Incentive to be paid on pro rata basis once the turnover cap is hit.</p> <p>Example: 09:15 AM to 03:30 PM :- Exchange Turnover for the day Rs.700 Crs</p> <p>Member A turnover (Active buy)—Rs.15Cr in current month contract and 15 crs in near month contract</p> <p>Member A payout at GMP rates—(Rs 15 Cr+15 crs)*(Rs 500Cr/Rs.700Cr)*Rs.200/-= Rs.4285.7/-</p> <p>A) Payout per trade shall be capped at maximum of 20 lots, please see annexure 2 for GMP to GMP incentive cap.</p> <p>B) Removal of trades done in spread contracts & far month contracts from eligible trades for calculation of incentive.</p> <p>C) If the daily volume CAP is breached; the weights will be as follows:</p> <ol style="list-style-type: none"> Original contribution of MM out of total turnover in a day or 0.50 whichever is higher will be considered Original contribution of GMP out of total turnover in a day or 0.50 whichever is lower will be considered 	
Clause 6	<ul style="list-style-type: none"> Daily basis for GMPs- at rate of Rs. 200/ Cr. Daily basis for MMs - Rs.500/ Crs volume based cash incentive for fulfilling MM obligations. (passive side of their volume *) All cash payouts will be paid after TDS deductions. TDS certificate will be issued on quarterly basis. Service Tax related to incentive payouts will be paid to the members upon submission of invoice. <p>(* Half of daily cap volume shall be considered for MM incentive pro-rata base calculation for current and near month contracts combined)</p>	
Clause 7	<ul style="list-style-type: none"> S&P BSE SENSEX Futures 	S&P BSE SENSEX Futures
Clause 8	<ol style="list-style-type: none"> Scheme Launch—May 30, 2014 The scheme shall run as per tenure mentioned in SEBI Circular no.CIR/MRD/DP/14/2014 dated April 23, 2014. 	

LEIPS-S&P BSE SENSEX Futures Terms and Conditions

Annexure 1

- Daily Quote incentive pool of Rs. 1,00,000/- if MM quotes as per the spread size specification given on page 2 of the brochure in all the 3 time slots given below in both current month and near month market making contracts.

Sr. No.	Time Slots	Presence
1	9.15 AM to 9:45 AM	85%
2	9:45 AM to 3:00 PM	85%
3	3:00 PM to 3:30 PM	85%

- The proposed presence criteria will be applicable for roll over contracts also
- On Expiry day Quoting incentive would be paid on the near month market making contracts from the separate pool of Rs. 1,00,000/- per day if MM quotes as per the spread size specification given on page 2 of the brochure in all the 3 time slots given above and also qualifies for current month market making contracts as mentioned above.**
- *** If MM does not quote as per the spread size specification given on page 2 of the brochure in all 3 the time slots mentioned above on Expiry day in the current month contract, then MM will not be paid incentive from the above mentioned separate pool of Rs. 100,000/- even if he qualifies for near month market making contracts as mentioned above.*
- Additional monthly incentive from the pool of Rs. 5 Lakhs for MMs who qualifies in both current month and near month market making contracts throughout the month including roll over period as per the spread size conditions mentioned above (in all three slots every day).
- Daily additional incentive from pool of Rs.1,00,000/- if MM keeps presence in both current and near month market making contracts as per following table in all the time slots as per the spread size specification given on page 2.

Sr. No.	Time Slots	Presence
1	9.15 AM to 9:45 AM	95%
2	9:45 AM to 3:00 PM	95%
3	3:00 PM to 3:30 PM	95%

- ◆ This incentive will be in addition to daily incentive pool of Rs. 100000/- as mentioned in first point of annexure 1 above where member has to keep 85% in all three time slots .
- On Expiry day Quoting incentive would be paid on the near month market making contracts from the separate pool of Rs. 2,00,000/- per day if MM quotes as per the spread size specification given on page 2 of the brochure in all the 3 time slots given above and also qualifies for current month market making contracts as mentioned above.\$\$
- ◆ *\$\$ If MM does not quotes as per the spread size specification given on page 2 of the brochure in all the time slots mentioned above on Expiry day in the current month contract, then MM will not get additional incentives from the abovementioned separate pool of Rs. 200,000/- even if qualifies for near month market making contracts as mentioned above.*

Annexure 2

- **For Turnover between GMP to GMP** - Trading incentive to be capped at 5% of the volumes of the two side EXCHANGE turnover (i.e Exchange Turnover X 2) per member visavis other member.

If turnover between GMP A and GMP B is more than 5% of exchange turnover, then both will be eligible for the incentives upto 5% of Exchange turnover only.

For Example—

GMP A Turnover – Rs.30Cr, GMP B Turnover – Rs.30Cr, GMP A to GMP B Turnover – Rs.25Cr, Exchange Turnover Two Sided – Rs.400Cr (200 X 2)

In this case, 5% of 2 sided Exchange turnover = Rs.20Cr.(i.e Rs. 400 crs*5%) GMP A & GMP B each will get incentive upto Rs.20Cr of their turnover only.

- **For turnover between MM to MM / MM to GMP and GMP to MM there will not be any such restriction as mentioned above.**
- **MM's need to have minimum 50% presence Merely registering as a MM will not be considered as MM.**
- **For additional trading volume based cash incentive as per clause 6 MM has to be present 50% of total trading time as per current rules of clause 2.**
- ***(Note—For quoting based incentives, the existing slabs of 85% as per annexure 1 will remain applicable as is)***

Registration Form for General Market Participant (GMP)

Please print the form on next page on the official stationary (letter head) of the member and
Submit it to your relationship manager.

To,
Business Development,
BSE Ltd,
P.J Towers, Dalal Street,
Mumbai 400001, India
Fax: (022) 2272 3001

Registration as General Market Participant (GMP)

1. We _____(name of the member / Clearing Number) would like to register in LEIPS-S&P BSE SENSEX Futures programme as a General Market Participant.
2. We have read and understood the details of the LEIPS programme.
3. We are aware that we have to follow a separate registration process if we are interested to participate in LEIPS S&P BSE SENSEX Futures programme as a Market Maker.
4. We are aware that BSE reserves the right to render any member ineligible for further participation in the programme if the member engages in activities that are detrimental to the development of the market.
5. We understand that BSE has the right to terminate or amend the programme or expand one or more of the conditions laid down in their circular at its discretion in accordance with SEBI circular CIR/DNPD/5/2011.
6. Listed below are our service providers:

Front Office Vendor: _____

Back Office Vendor: _____

7. Listed below are the contact details of designated person from our organization for all derivatives related transactions:

Name: _____

Designation: _____

Mobile: _____

Phone: _____

Email: _____

Name Position (of Designated Person)

(Signature / Stamp of the company)

Place, Date

Phone / Fax/ Email Id

Registration Form for Market Maker in LEIPS-S&P BSE SENSEX Futures
(Please print the form on next page on the official stationary of the member and
Submit it to your relationship manager)

To,

Business Development Department,
BSE Ltd,
P.J Towers, Dalal Street,
Mumbai 400001, India
Fax: (022) 2272 3001

Registration in LEIPS-(S&P BSE SENSEX Futures) as Market Maker

1. We _____ (name of the member / Clearing Number) are registering as 'Market Maker' (MM) in listed underlying and type (as indicated in Table 1—List of underlying for Market Making) in accordance to the terms and conditions stated in the LEIPS-S&P BSE SENSEX Futures — Terms and Conditions.
2. We will fulfill all the Eligibility conditions as given in Clause 3 of LEIPS-S&P BSE SENSEX Futures — Terms and Conditions.
3. As a MM we will fulfill all obligations as given in Clause 2 of LEIPS-S&P BSE SENSEX Futures — Terms and Conditions.
4. We shall abide by the letter and spirit of this LEIPS-S&P BSE SENSEX Futures circular (as well as all circulars issued by SEBI and the BSE) to maintain the sanctity of the market place. We are aware that BSE reserves the right to render any member ineligible for further participation in the programme if the member engages in activities that are detrimental to the development of the market.
5. We understand that BSE has the right to terminate this programme or amend or expand one or more of the conditions laid down in this circular at its discretion in accordance with SEBI circular CIR/DNPD/5/2011.

6. Listed below are our service providers:

Front Office Vendor: _____

Back Office Vendor: _____

7. Listed are the contact details of the designated person from our organization for all derivatives related transactions:

Name: _____

Designation: _____

Mobile: _____

Phone: _____

Email: _____

Name Position (Designated Person)

(Signature / Stamp of the company)

Place, Date

Phone / Fax/ Email Id

Registration in LEIPS- S&P BSE SENSEX Futures as Market Maker (cont.)

Please indicate securities for which your firm is registering as market maker by putting a clearly marked “X” in the appropriate cell in the Table 1—List of underlying for Market Making (below). Your application shall be considered incomplete without this.

Table 1—List of Underlying for Market Making

Underlying	Futures
S&P BSE SENSEX	